



# Measuring the Business Value of Facilities and Asset Management

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Jonathan M. Estes

Zemo Trevathan

Trevathan, Estes & Associates

# Case Study: Engineering

- Description
- Change
- What value?
- “Institutional Knowledge”
- Results



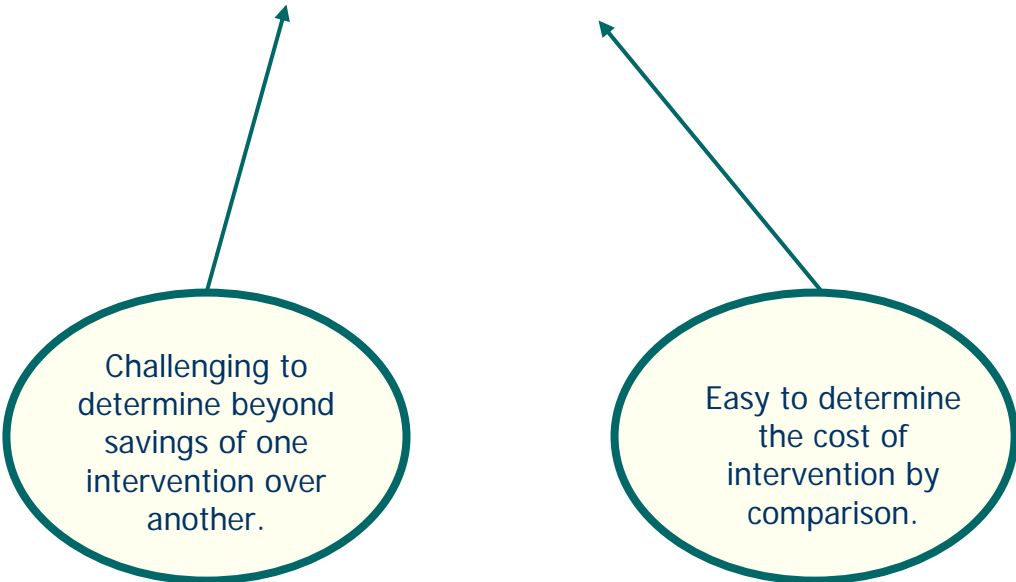
# Defining Business Value

Meets the expected strategic goals of the organization

- Positive change in financial contribution or level of quality of an individual or team
- Measured as a return on investment or other type of impact

# Business Value Formula

The basic Business Value formula is deceptively simple:  $\% \text{ ROI} = (\text{benefits} / \text{costs}) \times 100$



Challenging to determine beyond savings of one intervention over another.

Easy to determine the cost of intervention by comparison.

# Calculating “Benefit” Challenging

- Intangible outputs, hard to measure in dollars
- Costs more apparent than revenues
- Many contingencies and risks: Services, new projects, departments can be reduced, frozen, or outsourced.

# Exploring Business Value: SOI

- Savings on Investment
  - Periodic line item cuts
  - Impact based on savings to the organization
- Improves organizational processes
  - Mass-manufacturing economies of scale
  - Hyper-efficient distributions systems
  - Six-Sigma quality control programs

# Exploring Business Value: ROI

- Return on Investment
  - Based on maximizing financial benefit
  - Measurement of business impact is statistical
- Improves alignment of strategies among all departments
  - Systems approach
  - Partnerships between departments
  - Metrics based on financial outcomes

# Case Study: Safety Training

- Description
- Change
- What value?
- “Safety training increases productivity”
- Results





# Creating Business Value in FM

- Have a stake in the current and future success of the organization.
- Develop core competencies that change in financial impact.
- Learn the fundamentals of what makes your client successful and their pressures

# Destroying Business Value

- Unclear definitions of Business Value and its drivers
- Self-interested behavior
- Negative competition
- Functional silos

# Perceptions of Value

- Determine how your department is currently viewed by the organization or your client.
- Examine what could happen to a team that is viewed as a deficit producer.
- How you interpret the word *value* determines a good decision in a given situation.

# Your New Role as Business Value Analyst

- Much of the recurring snipping of your budget is self-inflicted
- You may not be doing enough to relate your activities to business results
- The leadership perception is that you are a cost rather than an investment
- Change it with an emphasis on performance and demonstrated results

# New Metrics

## Measurable Outputs: The Facility

- Overall performance of a facility
- Operational savings
- Total cost of occupancy
- Flexibility of the use of the building
- Building value: the potential for sale, sublease, out-lease, or lease termination

# New Metrics

## Measurable Outputs: The Systems

- Efficiency of the structure
- Energy
- Refrigeration
- Lighting
- Heating/AC
- Manufacturing equipment
- Ventilation

# New Metrics

## Measurable Outputs: The Occupants

- Employee productivity
  - Distraction-free work
  - Error rates
  - Absentee rates
  - Tenant retention
  - Perception of safety
  - Innovation
  - Easy access for learning and collaborating
- End-users' satisfaction
  - End-users' morale
  - Supports their needs
  - Fewer complaints
  - Reduced sick building syndrome
  - Reduced workplace injuries
  - Lowering health insurance costs

# Your Business Value Imperative

- Identify the meaning of business value for you, your team, and your department
- Understand how value is created and destroyed
- Explore perceived and actual value of your interventions.
- TAKE FLIGHT!